

Statement

of the

**NATIONAL ASSOCIATION OF STATE DIRECTORS
OF VETERANS AFFAIRS**

on the

**US Department of Veterans Affairs
Budget Request**

before the

**Joint Hearing of the House and Senate
Veterans' Affairs Committee**

March 29, 2007

Presented by

John Garcia

President, NASDVA

Secretary, New Mexico Department of Veterans' Services

INTRODUCTION

Chairman Akaka, Chairman Filmer, Ranking Member Craig, Ranking Member Buyer and distinguished members of both committees, as President of the National Association of State Directors of Veterans Affairs (NASDVA) I thank you for the opportunity to testify and present the views of the State Directors of all 50 states, commonwealths, and territories.

As the nation's second largest provider of services to Veterans, state governments' role continues to grow. We believe it is essential for Congress to understand this role and ensure we have the resources to carry out our responsibilities. We partner very closely with the Federal Government in order to best serve our veterans and as partners, we are continuously striving to be more efficient in delivering services to veterans.

We greatly appreciate the leadership of Chairmen Akaka and Filmer, Ranking Members Craig and Buyer and the entire membership of the Senate and House Veterans Affairs Committees for their past support of building upon the administration's budget and hope that it continues. Because of the War on Terror, we are now serving a new generation of veterans. They are going to need our help as they return to civilian life. We believe there will be an increased demand for certain benefits and services and the overall level of health care funding proposed by the administration must meet that demand while continuing to serve those veterans already under VA care.

VETERANS HEALTH BENEFITS AND SERVICES

NASDVA supports the Capital Asset Realignment for Enhanced Services (CARES) process.

Capital Asset Realignment for Enhanced Services (CARES): We were generally pleased with the CARES report and recommendations made in the final plan. We also supported the planning process and the direction it proposes to move VA as a national system. We urge that capital funding required for implementation be included over a reasonable period of time to enable these recommendations to be realized.

NASDVA supports the opening of additional Community-Based Outpatient Clinics (CBOCs). We would like to see the new priority CBOCs deployed rapidly with appropriate VA Medical Center (VAMC) funding.

Community-Based Outpatient Clinics (CBOCs): Continued development of CBOCs has greatly improved veterans' access to VA health care. We continue to encourage rapid deployment of new priority clinics over the next few years with the corresponding budget support to VAMCs. VA needs to quickly develop these additional clinics, to include mental health services. We encourage the investment of capital funding to support the many projects recommended by CARES. We support VA contracting-out some specialty care to private-sector facilities where access is difficult. Likewise we would like to see this process continue in FY 2007, with sufficient funding in the budget. CBOCs provide better access, leading to better preventive care, which better serves our veterans.

NASDVA recommends an in-depth examination of long-term care and mental health services.

Long-Term Care and Mental Health Services in CARES Initiatives: The CARES Commission review did not include long-term care or mental health services, but did recommend further study of both areas. To that end, we again ask that a study be done to thoroughly examine veterans' long-term care and continue the study currently being done on mental health care needs, to include gap analysis clearly identifying where services are lacking. The CARES report recognized State Veterans Homes (SVHs) as a critical component of veterans' long-term health care and a model of cost-efficient partnership between federal and state governments. These state nursing care facilities and domiciliaries bear over half of the national long-term health care workload for our infirm and aging veteran population. Forty-eight (48) states and Puerto Rico provide care for more than 28,000 veterans in 120 SVHs. We urge you to continue to oppose proposals that jeopardize the viability of our SVHs. State taxpayers have supported the SVHs through their 35% share of construction costs with an understanding that the federal government would continue to make its contribution through per diem payments. The federal government should continue to fulfill its important commitment to the states and ultimately to the individual veterans in need of care.

NASDVA continues its strong support for the State Home Construction Grant Program. The annual appropriation for this program should be continued and increased. Based on the reduction in funding in FY 2006, we recommend that the amount in FY 2007 be increased to \$250 million. Re-ranking of projects should be eliminated once a project is established as Priority group 1 (state matching funds are available).

Funding of the State Home Construction Grant Program. Since 1977, state home construction grant requests have consistently exceeded appropriations for the program. The amount of money appropriated is insufficient in light of the amount of projects applied for. Prior to FY 2006, the appropriation had been in excess of \$100 million. However, in FYs 2006 and 2007 only \$85 million was appropriated and the President's budget again recommends \$85 million for FY 2008. The backlog of projects is approaching \$1.0 billion and is growing. Further, several large bed-producing projects in California have received much of the appropriation the last two years, effectively blocking most state projects from receiving funding. With new projects being added and not being funded, the list grows. On the FY07 Priority List of Pending State Home Construction Grant Applications, there were 92 projects in Priority group 1 with state matching funds of \$265M for a federal match of \$492M. The FY 08 Priority List will have more Priority 1 projects. This deficit in federal program support causes long delays in the establishment of long-term care beds in areas where these services are badly needed by an aging veteran population. In addition, infrastructure projects languish because repair, remodeling and renovation dollars are not forthcoming. We recommend an increase in funding for FY 2008 to \$250 million.

The success of VA's efforts to meet the current and future long-term care needs of veterans is contingent upon resolving the current mismatch between demand and available funding. We recommend this issue be included in any long-term care study undertaken.

Ranking of State Home Construction Projects. Priority groups for renovation, construction or acquisition of SVHs are established in 38 CFR, Chapter 59.50. States that have applied and made matching funds available for projects are ranked Priority group 1. Due to insufficient funding each budget year, some Priority group 1 projects do not receive federal funding and are then subject to reprioritization the following budget year. Since these projects have state funds committed, they should maintain their position on the list of Priority group 1 projects, except for new projects that are for “life and safety” issues. Otherwise, projects with state money committed can wait years before federal grant funds materialize. States deserve to have a greater degree of certainty as to when they’ll receive federal matching funds. Currently, they do not.

NASDVA supports full reimbursement for care in SVHs for veterans who have a 70% or more service-connected disability or who require nursing home care because of a service-connected disability.

Full Reimbursement for Cost of Care for Qualifying Veterans in SVHs: While we’re still waiting for rules to be promulgated on exactly how VA intends to implement PL 109-461, this legislation should eliminate the inequity which has existed since the Millennium Act was passed in 1999. We wish to thank both committees for their support in resolving this issue. Once again, severely disabled veterans will be able to choose veterans homes for their long-term care needs with VA paying the full cost of care. Prior to this legislation, only contract community nursing homes were reimbursed for the full cost of care. This was unfair to both veterans and state veterans home. Now, veterans homes, which previously only received per diem from VA, will receive the full cost of care for 70% and greater SCD veterans. Hopefully, VA will be rapid with development of the regulations that will detail this reimbursement.

NASDVA supports increasing per diem to provide one-half of the national average annualized cost of care in a SVH.

Increase in Per Diem Payments to SVHs. Current law allows VA to pay per diem up to one-half of the cost of care each day a veteran is in a SVH. However, in 1QTR FY07, VA per diem amounted to only 33% of the average daily cost of nursing home care (\$203.70) and only 26% of the average daily cost of domiciliary care (\$130.18) in a SVH. We ask that per diem for both programs be increased to one-half of the national average annualized cost of providing care, as the SVH program is the most cost effective nursing care alternative used by VA. VA pays a much higher rate to contract community nursing homes, and its own average cost/day of care is approaches \$600.00, almost three times the average cost of care in state veterans homes.

NASDVA supports VA Medicare Subvention. We recommend a veterans’ medication purchase option be implemented for Priority group 7 and 8 enrollees who only seek medications. We request continued protection of the Federal Supply Schedule for VA/DOD pharmaceuticals.

Medicare Subvention. We recommend that VA implement a Medicare Subvention program similar to the unrealized “VA Advantage” Program. Working with the Department of Health and Human Services, this program will allow Priority group 8 veterans aged 65 and older to use their Medicare benefits to obtain VA health care. VA would receive Medicare payments to cover its costs. This is an HMO concept we have supported, however, we are concerned about the delay in implementation of a pilot. It

was our understanding three years ago that this program would be available to veterans within a few months. Another year has now passed without implementation.

Optional Purchase of VA Medications. NASDVA requests Secretary Nicholson consider a veterans' medication purchase option. Large numbers of Priority group 7 and 8 enrollees are seeking prescription drugs; they do not necessarily seek access to the VA health care system. A medication only purchase program could separate this population from the enrollee lists and reduce backlogs, assisting VA in delivering services to the core constituency of service-connected veterans. Such a plan would provide veterans an attractive alternative to Medicare Part D funding for pharmaceuticals.

Protection of VA pharmaceutical costs. NASDVA requests continued protection of the Federal Supply Schedule (FSS) for VA/DOD pharmaceuticals. While we support the goal of reduced drug prices for all Americans, we are concerned that if the FSS prices were extended to Medicare recipients or other entities, it would result in increased prices for VA/DOD, diverting millions of dollars from health care funding for veterans.

NASDVA supports continued efforts to reach out to veterans. This should be a partnership between VA and the State Departments of Veterans Affairs (SDVAs).

Outreach to Veterans. While growth has occurred in VA health care due to improved access to CBOCs, many areas of the country are still short-changed due to geography and/or due to veterans' lack of information and awareness of their benefits. VA and SDVAs must reduce this inequity by reaching out to veterans regarding their rights and entitlements. NASDVA supports implementation of a grant program that would allow VA to partner with the SDVAs to perform outreach at the local level. There is no excuse for veterans not receiving benefits to which they're entitled simply because they are unaware of those benefits.

NASDVA supports careful review and full implementation of the findings and recommendations of the Research Advisory Committee on Gulf War Veterans Illnesses.

Report on Gulf War Illnesses. The U.S. Department of Veterans Affairs Research Advisory Committee on Gulf War Veterans' Illnesses (GWVI) has issued a report with ten findings and specific recommendations for each finding. Those recommendations have not yet been implemented. That report found a growing body of research indicating that an important component of GWVI is neurological in character and the study recognizes this. Further, the committee found evidence supporting a probable link between exposure to neurotoxins and the development of GWVI. This research has important implications for current and future military deployments and for homeland security. NASDVA supports full implementation of the findings and recommendations of this report.

COMPENSATION AND PENSION BENEFITS

NASDVA supports consideration of a greater role for SDVAs in the overall effort to manage and administer claims processing, regardless of whether the state uses state employees, Veterans Service Organizations (VSOs), and /or County Veterans Service Officers (CVSOs).

Restructured Claims Management: Recent studies regarding claims processing have all noted that VA needs to make better use of the assets of the state government and VSOs to assist in claim processing. One example is the October 2001 *Claim Processing Task Force Report to the Secretary*, which stated:

“the full partnership and cooperation of VBA and Veterans Service Organizations (VSOs) are vital elements in assuring timely service to the veteran. A well-developed network of VSOs and State Departments of Veteran’s Affairs (SDVAs) should be encouraged to cooperatively enhance the delivery of services to veterans. Service organizations can help improve service to beneficiaries and increase veteran satisfaction by providing assistance in gathering evidence for the development of a well documented and “ready-to-rate claim, helping deter frivolous claims, and by providing timely information on claim status.”

Additionally, as noted in the recent VA Inspector General's *Review of State Variances in VA Compensation Payments*, veteran access to competent claim assistance is still very much an accident of geography. Effective advocacy for veterans from initiation of a claim to a VA decision can improve sufficiency and timeliness of claims. Numerous studies indicate “well-developed” claims produce better outcomes for veterans in a shorter time and at a lower cost to VA.

The SDVAs, nationally chartered VSOs, and county veteran service officers have the capacity and capability to assist VA. NASDVA can be an effective partner with VA to establish and achieve higher performance standards in claims preparation. SDVAs could assume a role in more effective and comprehensive training programs and certification of service officers to ensure competence and technical proficiency in claims preparation. We can support VA in its “duty to assist” without diminishing our role as the veterans’ advocate.

For all the reports and testimony to the contrary, VBA has not been very successful in making effective use of the state/county/VSO system of service officers and counselors. Under the current system of claims processing, the interface between VBA and those who represent veterans is clumsy and poorly integrated. We recommend VBA explore methods of integrating its existing and future applications and its business process with those state, county, and VSO personnel supporting claim processing. We further recommend the establishment and enforcement of uniform training programs and performance measures for all personnel involved in the preparation of veteran claims.

NASDVA strongly supports passage of legislation to eliminate the time-phased concurrent receipt of military retirement pay and service-connected disability compensation.

We appreciate the FY05 Defense Authorization Act authorizing full concurrent receipt of retired pay and disability compensation for retirees with 100% VA disability ratings. We are disheartened, however, by the DoD decision to exclude the 30,000 retirees currently rated as “unemployable” and receiving disability compensation at the 100% rate. This decision should be based on fairness, not budgetary constraints.

NASDVA strongly supports passage of legislation to eliminate the time-phased concurrent receipt of military retirement pay and service-connected disability

compensation. These are both earned entitlements and should apply to **all** retired veterans, regardless of their level of disability.

BURIAL AND MEMORIAL BENEFITS

NASDVA recommends an increase in the plot allowance for all veterans to \$1000 per interment. We strongly support an increase in funding for the State Cemetery Grant Program. A new federal/state national Cemetery Administration (NCA) grant program could be established to support state costs.

Increase in Burial Plot Allowance: the average operational cost of interment in a state veterans' cemetery is \$2000. This adds to the fiscal burden of many SDVAs. The current burial plot allowance of \$300 per qualified interment provides 15% of the average cost of interment. NASDVA recommends the Plot Allowance be increased to \$1000 in order to offset operational costs. The increase should also apply to the plot allowance for veterans' interment in private cemeteries.

Increased Funding for State Veterans Cemetery Grant Program (SCGP): the State Veterans Cemetery Grant Program (SCGP) has greatly expanded the SDVAs' ability to provide gravesites for veterans and their eligible family members in those areas where national cemeteries cannot fully satisfy burial needs, particularly in rural and remote areas of the country. The existing State Cemetery Grant Program has allowed the number of state cemeteries to grow by nearly 40% over the past five years with a corresponding increase in interments. Currently there are some 40 project pre-applications pending totaling \$160M. We ask that SCGP funding be increased to \$50M.

Establishment of a State Veterans Cemetery Operations Grant Program: SDVAs are provided construction grants for veterans' cemeteries and a limited burial plot allowance as discussed above to partially offset the cost of interment. Operational costs for both state and national veterans' cemeteries continue to rise. However, once a state establishes a state veterans' cemetery there is no further source of federal funding to defer operational costs. NASDVA recommends the establishment of a federal grant program to assist state veterans' cemeteries with operational costs.

HOMELESSNESS AMONG VETERANS

NASDVA supports efforts to diminish the national disgrace of homelessness among veterans. SDVAs would prefer an active role in allocating and distributing per diem funds for homeless veterans to non-profit organizations, ensuring greater coordination, fiscal accountability, and local oversight of the services provided.

Homeless Providers Grant and Per Diem Program: VA grants greatly assist states in reducing homelessness among veterans and we urge an increase in per diem (currently \$27.44) to ensure appropriate support services at transition facilities. Additionally, NASDVA recommends VA partner with SDVAs in the process of allocating and distributing per diem funds to non-profit organizations. This would create an appropriate level of accountability and collaboration between non-profit agencies and SDVAs, ensuring funding is used to provide care to veterans in the program in a most effective manner. Finally, NASDVA asks that USDVA coordinate with states during the grant making and grant award periods.

NASDVA supports careful review and full implementation of the findings and recommendations of the USDVA Advisory Committee on Homeless Veterans.

Report on Homelessness. The USDVA Advisory Committee on Homeless Veterans was created to provide advice to the Secretary of Veterans Affairs on benefits and services provided to homeless veterans by the Department of Veterans Affairs. That committee has issued a report with findings and recommendations regarding the homeless programs administered by USDVA. Their report includes the identification of risk factors of service members leaving active duty. Further, the report suggests that veterans are underserved in Labor programs designed to assist veterans in need. NASDVA supports the full implementation of the recommendations of the Advisory Committee report.

STATE VETERANS HOME LOAN PROGRAM

NASDVA supports the removal of the discriminatory portion of Internal Revenue Code to allow veterans in Texas and California the same opportunity for home ownership as veterans from Oregon, Wisconsin and Alaska.

Home Loan Programs for State Veterans. Five states (Alaska, California, Oregon, Texas and Wisconsin) offer veterans' home loans to resident veterans. Previously, the law limited use of tax exempt bonds to fund these state veterans home loan programs to only those veterans who served in the military prior to 1977. The law was changed by the 109th Congress to allow veterans who have served since January 1, 1977 who live in Alaska, Oregon and Wisconsin to have access to tax-exempt home loans. However, veterans in California and Texas are being denied such access. NASDVA asks this Congress to end this disparity which would allow veterans from California and Texas the same access to tax-exempt funds as veterans in Alaska, Oregon and Wisconsin.

STATE BENEFIT COORDINATORS

NASDVA supports the relocation of State Benefits Coordinator positions from the National Guard Bureau to the direct operational control of each state's director of veterans affairs.

State Benefits Coordinator positions. The National Guard Bureau created State Benefits Coordinators for each state to assist in ensuring that National Guard personnel are apprised of their federal veterans benefits. However, state directors in most states are charged by state law to serve as the primary entity responsible to ensure information and access to federal and state veterans benefits. Often this duplicates the efforts of existing state and county-level activities. While we agree with the need for these positions, they should serve all service personnel eligible for federal and state benefits, not just National Guard. Therefore, we strongly support the realignment of these positions to each state's director of veterans affairs.

SEAMLESS TRANSITION AND JOBS

NASDVA strongly supports improving upon and providing "Seamless Transition" to help our service members' transition into civilian life.

We support the expansion of the Transition Assistance Program (TAP). Efforts need to be made to maximize the integration of services provided by the DoD, VA and State and Local Governments. It must be recognized that no single agency can adequately meet the transition needs of our returning service members.

NASDVA supports the operational realignment of Disabled Veterans' Outreach Program Specialist (DVOPs) and Local Veterans' Employment Representatives (LVERs) under each state's director of veterans affairs.

Reporting structure of DVOPs and LVERs. Employment services are provided to veterans by DVOPs and LVERs, a result of the Workforce Investment Act of 1998. These service providers are situated at one-stop Service Delivery Points (SDPs) in each state under the auspices of the director of labor. No more than three-fourths of these outreach specialists can be stationed at these local employment service offices. The remaining one-fourth are sited at centers established by the US Department of Veterans Affairs, providing readjustment counseling. To ensure that information about all state and federal veterans' benefits, in addition to employment assistance, are provided to veterans, NASDVA recommends that these DVOP/LVER positions be operationally realigned under each state's director of veterans affairs.

NASDVA strongly supports Veterans' preference with regard to employment.

NASDVA supports full implementation of existing programs and laws with regard to veterans' preference to ensure our returning veterans have every opportunity available in their transition into civilian life. We also support incentives to businesses that hire veterans.

CONCLUSION

Mr. Chairman and distinguished members of the committee, we respect the important work that you have done to improve benefits to veterans who have answered the call to serve our nation. NASDVA remains dedicated to doing our part, but we urge you to be mindful of the increasing financial challenge that states face, just as you address the fiscal challenge at the federal level. We are dedicated to our partnership with the VA in the delivery of services and care to our Nations Veterans.

This concludes my statement and I am ready to answer any questions you may have.